



VIETNAM DAILY NEWS



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Market Analysis

1. VN-Index closes fourth gaining session

Vietnam's benchmark VN-Index rose 1.33 percent to 1285.45 points Friday, its fourth gaining session in a row.

The index closed 16.88 points higher after sliding sideways Thursday. It has risen nearly 67 points since Tuesday.

Trading on the Ho Chi Minh Stock Exchange increased by 16.89 percent to VND16.09 trillion (\$693.50 million).

The VN-30 basket, comprising the 30 largest capped stocks, saw 29 tickers gain.

PNJ rose 7 percent to the highest in six weeks.

FPT climbed to a five-week high with a 5.9 percent rise.

Other gainers included MWG of electronics retail chain Mobile World, up 5.5 percent, ACB of Asia Commercial Bank, up 4.8 percent, and KDH of real estate firm Khang Dien House, up 2.7 percent.

STB of Ho Chi Minh City-based lender Sacombank was the only blue chip that bucked the trend with a 0.7 percent decline.

Foreign investors were net buyers to the tune of VND124 billion, mainly buying VNM of dairy giant Vinamilk and VHM of real estate giant Vinhomes.

The HNX-Index at the Hanoi Stock Exchange, where mid and small caps list, was down 0.68 percent while the UPCoM-Index at the Unlisted Public Companies Market was up by 0.36 percent.

Macro & Policies

2. S&P upgrades Vietnam ratings

S&P Global Ratings has upgraded Vietnam's currency sovereign credit ratings to 'BB+' with a stable outlook, demonstrating that Vietnam's economy would keep recovering from Covid impacts.

"We raised our sovereign ratings on Vietnam to reflect our view of improvements in the government's administrative processes," S&P stated Thursday.

In recent years, the government had implemented measures that helped close the gap on lapses in repaying guaranteed debt.

The ratings upgrade is also supported by Vietnam's robust economic prospects and sound external position. Vietnam continued to attract strong foreign direct investment (FDI) flows, despite pandemic disruptions.

"We expect export-led growth and strong investment to keep the economy's trend growth rate well above the average of its peers," S&P said.

Vietnam's gross domestic product (GDP) per capita has risen quickly in the past few years from a relatively low base, and the ratings agency expects GDP per capita in 2022 to reach \$3,868, against the country's target of \$3,900.

S&P forecasts GDP growth to hit 6.9 percent this year (compared to 2.6 percent last year), adding that the country would likely grow 6.5-7 percent from 2023 onward.

"Vietnam's attractiveness as a premier destination for foreign direct investment in Southeast Asia, along with its young, increasingly educated, and competitive workforce, should help keep the country's long-term development trajectory intact despite temporary labor market disruptions from Covid-induced lockdowns."

But the ratings agency said that risks to economic growth are tilted toward the downside, because Vietnam's export-led economy relies on strong external demand.

Rising inflation and financing conditions, as well as geopolitical risks, could dampen global growth and reduce demand for Vietnamese exports, it added.

3. Việt Nam's five month FDI disbursement up

Disbursement of foreign direct investment (FDI) experienced a positive yearly increase of 7.8 per cent to US\$7.71 billion in the first five months of this year, as the national economy appears to be back to normal, according to the Foreign Investment Agency (FIA) under the Ministry of Planning and Investment.

The Government and relevant agencies' continual and effective assistance, along with efforts by enterprises to weather the pandemic and adapt to the new context, have helped firms gradually recover, maintain, and expand operations. That's why the disbursed capital has been rising over the past months, the agency explained.

Though the registered capital in the five-month period, \$11.71 billion, was equivalent to just 83.7 per cent of the figure in the same period last year, only investment in new projects declined by 53.4 per cent to \$4.12 billion while the capital poured into existing projects surged 45.1 per cent to hit \$5.61 billion.

Capital contributions and share purchases by foreign investors also witnessed a significant year-on-year rise of 51.6 per cent to \$1.98 billion.

The FIA said in its latest report that despite the COVID-19 pandemic's adverse impacts, foreign investors still put their trust in the economy and investment climate of Việt Nam in the new normal

context, and decided to expand their projects in the country.

Among typical capital-added projects include the Thái Nguyên Province-based Samsung Electro-mechanics Vietnam project, which increased its capital by \$920 million, and three plants for manufacturing electronics, network equipment and multimedia audio products in three localities of Bắc Ninh, Nghệ An and Hải Phòng which hike their investment by nearly \$306 million, \$260 million and \$127 million respectively.

From January to May, the processing and manufacturing industry lured the lion's share of FDI with over \$6.8 billion, accounting for 58.2 per cent of the total registered investment capital. The real estate sector came next with nearly \$3 billion or 25.6 per cent, followed by the information and communication industry and science and technology sector with \$398 million and \$374.8 million respectively.

Singapore retained its position as Việt Nam's leading foreign investor with nearly \$3 billion, making up nearly 25.3 per cent of the total FDI registered in the country. However, investment pumped by Singaporean businesses in the Southeast Asian country saw a strong decline of 44 per cent year-on-year.

South Korea's five-month investment in Việt Nam ranked second, surging 12.6 per cent year-on-year to over \$2.06 billion or equivalent to 17.6 per cent of the total FDI and Denmark rank third with nearly \$1.32 billion or 11.3 per cent thanks to large-scaled LEGO project.

Mainland China, Japan, and Hong Kong were the runners-up.

The FIA added localities luring the most FDI were the southern province of Bình Dương with \$2.52 billion or making up 21.5 per cent of the nation's total FDI, the northern province of Bắc Ninh (\$1.65 billion or 14 per cent) and HCM City (\$1.3 billion or 11.3 per cent).

VN remains attractive to int'l investors: HSBC

An HSBC survey showed that up to 21 per cent of Indian firms operating or intending to operate in Southeast Asia plan to expand their business in Việt

Nam in the next two years, and the ratio is 26 per cent among Chinese enterprises.

According to the survey covering more than 1,500 companies from six of the world's largest economies – all of which have operations in Southeast Asia, three out of 10 surveyed companies pointed to a skilled workforce as an advantage of Việt Nam, while 27 per cent cited competitive wage prices and proven economic resilience in response to the pandemic.

Currently, 39 per cent of Indian companies stated they were attracted by the country's infrastructure, while 39 per cent of US firms said that they are keen on opportunities to develop and test new products/solutions in the market.

Particularly, 49 per cent of surveyed firms, mostly from China, India and the US, said that they hope to make use of the EU-Việt Nam Free Trade Agreement (EVFTA) to strengthen and support their trade activities in the region.

At the same time, 33 per cent said that they have to face challenges in supply sources due to the impacts of COVID-19 in Việt Nam.

Cultural issues were also a major concern for 31 per cent of enterprises.

Sustainable development in Việt Nam also draws the attention of international investors. Among the international companies participating in the survey, 45 per cent of those with Vietnamese operations stated that the most important sustainability actions they could take were improving energy efficiency; a further 42 per cent underlined the importance of supporting local communities.

Some 31 per cent of respondent companies operating in Việt Nam worried that new regulations and rules on carbon reduction could impact them. Meanwhile, 36 per cent flagged the difficulty of hiring employees who possessed the correct sustainability credentials and knowledge.

Tims Evans, HSBC General Director in Việt Nam said that Việt Nam is an example of successful COVID-19 control. The country is rising as a global production hub thanks to the incentives given by the Government, especially in the signing of free trade agreements.

Through the discussions of HSBC Vietnam with multinational corporate clients, HSBC found that the

trend of shifting investment to Việt Nam is not temporary, but strategic and long-term, he said.

4. Banks promote lending to exporters amid Việt Nam's positive shipments

Commercial banks have stepped up lending to export firms, especially those in industrial parks and export processing zones, as exports of many goods have grown strongly this year.

Nguyễn Đức Lệnh, deputy director of the State Bank of Vietnam (SBV)'s HCM City branch, said total outstanding loans in HCM City by the end of April 2022 reached more than VNĐ3 quadrillion (US\$130 billion), of which about VNĐ196 trillion was poured into the Government's priority areas, including exports.

According to Lệnh, the loans have helped many firms in industrial parks and export processing zones maintain production and business. The credit growth for the firms reached 24.4 per cent in Q1 2022, a fairly high level compared to the average credit growth of the whole banking system.

Hứa Quốc Hưng, head of the Management Board of HCM City Export Processing Zone and Industrial Park Authority (HEPZA), said HEPZA has conducted many surveys on credit demand, ability to access capital, and financial sources for firms in industrial parks and export processing zones so as to propose to the SBV and commercial banks appropriate policies.

According to Hưng, lending to firms has been effective, helping them maintain production and business during the peak period of the pandemic and recover right after HCM City reopened.

In other cities, the lending to manufacturing and export has also increased.

Nguyễn Thái Minh Quang, director of Commercial Joint Stock Bank for Foreign Trade of Vietnam (Vietcombank)'s Bình Dương Province branch, said the bank is currently still maintaining an interest rate reduction policy of 0.5-1.5 per cent per year for corporate and individual customers. Vietcombank's Bình Dương Province branch has lowered interest rates for 87 per cent of loans of corporate and individual customers.

Võ Văn Bửu, director of Commercial Joint Stock Bank for Industry and Trade of Vietnam (VietinBank)'s Bình Dương Industrial Park branch, said the bank has launched many preferential loan programmes, which are exclusive to manufacturing and export areas. Thus, firms in the areas have many opportunities to access loans with low interest rates to serve their production and business needs.

Private and foreign banks are also accelerating capital financing for manufacturing and export firms to capitalise on the strong recovery of export activities, especially in textile and garment, agriculture, fishery and processing industries.

A representative of ShinhanBank in HCM City said the bank is currently lending well in industrial parks and export processing zones, with outstanding loans of some \$30 million at a preferential interest rate of about 7.5 per cent per year in the first one to three years. The loans to firms in industrial parks and export processing zones are continually growing well as the bank is expanding to other provinces and cities with many industrial zones.

Meanwhile, domestic banks such as HCM City Development Commercial Joint Stock Bank (HDBank), Vietnam Prosperity Commercial Joint Stock Bank (VPBank), Tien Phong Commercial Joint Stock Bank (TPBank) and Orient Commercial Joint Stock Bank (OCB) have also boosted financing for export firms.

TPBank, for example, has launched a loan package worth VNĐ1 trillion for firms to develop livestock farms with an interest rate of 8 per cent per year, while HDBank applied a preferential loan package of VNĐ1 trillion until mid-2022 to finance salary payments for corporate clients with interest rates from 6.8 per cent per year.

Along with the strong recovery of domestic firms after successfully controlling the pandemic, it is expected that banks' credit will continue to be poured into production and business areas to recover the economy in many cities and provinces in the near future.

5. Huge haul in new markets for Việt Nam's tra fish exports

Demand for Việt Nam's tra fish (pangasius) is up in major markets, driving the export of the catfish overseas, reports the Việt Nam Association of Seafood Exporters and Producers (VASEP).

Tra fish exports are projected to surge by a whopping 97 per cent year-on-year in the first five months of 2022, reaching US\$1.1 billion.

Besides exporting to traditional markets such as the US and Europe, seafood exporters have expanded markets to take advantage of the new demand. Specifically, Việt Nam has targetted new fish markets in Mexico, Egypt and Thailand.

VASEP expert Tạ Hà said that the Mexican market has the largest export value in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) trade bloc.

Tra fish sales to Mexico topped \$50 million in the first five months of this year, an increase of 70 per cent against last year's figure.

Shipments to Thailand hit nearly \$50 million during the period, a year-on-year spike of 80 per cent. Việt Nam exported over \$15 million worth of tra fish to Egypt, up 85 per cent year-on-year.

These are positive signs that tra fish is a favoured seafood product in these fresh new markets.

VASEP reports that the new Thailand market is advantageous in terms of geographical distance. The growing demand for tra fish imports has attracted

many Vietnamese businesses to this Southeast Asia country. There are as many as 60 enterprises currently shipping tra fish to the Thai market.

The US remains one of the key markets of Vietnamese tra fish. It recently licensed six more Vietnamese pangasius processing factories to export to the market.

Tra fish exports to the US were estimated to hit \$243 million in the first five months of this year, up 130 per cent from a year earlier.

Meanwhile, two more Vietnamese enterprises have been permitted to export seafood products to the Eurasian Economic Union (EAEU) by Russia's Federal Service for Veterinary and Phytosanitary Surveillance (FSVPS).

However, experts said that even though these moves will promote export growth, it is necessary for enterprises to source enough tra fish for production.

Lê Thanh Thuấn, Chairman of the Board of Directors of IDI International Development and Investment Corporation, said strong recovery of consumer demand has made it difficult for manufacturers to fill orders in recent months. They are operating at full capacity to meet the sharp increase in orders.

Currently, the corporation has full orders until the end of the second quarter, he said, adding that it has begun stockpiling fish for the revival of such big markets as Mexico and Brazil.

6. Petrol companies to benefit from rising prices

Petrol producers and traders are expected to benefit from low-priced inventories as the price of petrol rises.

The two leading enterprises in the industry, Petrolimex and PV Oil, recorded that the value of their inventories at the end of the first quarter was nearly double the beginning of the year.

Petrol price has been adjusted up five consecutive times to reach VNĐ31,250 per litre, a rise of 31.3 per cent compared to the beginning of the year.

According to a report by the Ministry of Industry and Trade, the world petrol market has undergone many great changes in recent years. Supply to the market, especially to the European region, continues to be affected by the embargo on products from Russia,

while US crude oil inventories continue to remain low.

These factors have pushed up petrol prices. During the price management period from May 11 to May 23, the average world price of petrol products reached US\$141.4 per barrel, up 64 per cent compared to the beginning of this year. Diesel oil reached \$142 per barrel, up 67 per cent and kerosene touched \$137.9 per tonne, up 64.6 per cent.

In the domestic market, as business activities recover again the demand for petrol has increased.

By May 23, the petrol price had increased for the fifth time in a row and set a new record. Specifically, the price of RON 95-V gasoline in region 1 reached VN Đ31,250 per litre, up 31.3 per cent compared to the beginning of this year and up 59 per cent over the same period last year. Diesel prices reached VNĐ26,350 per litre, up 47 per cent compared to the beginning of the year and 74.3 per cent over the same period last year and kerosene prices reached VNĐ24,400 per litre, up 48 per cent and 76.6 per cent, respectively.

In the context of increasing prices, the inventory value of many petrol businesses also increased sharply. Considering the five petrol production and trading units listed on the stock exchange, the value of inventory at the end of the first quarter reached VNĐ49.3 trillion, up 47 per cent compared to the beginning of the year.

By the end of Q1, Petrolimex (PLX) had the largest inventory of VNĐ24.25 trillion, up 84.2 per cent compared to the beginning of the year.

PV Oil (OIL) doubled its inventory value from VNĐ2.58 trillion to VNĐ5.16 trillion.

For petrol manufacturers such as Binh Son Refinery and Petrochemical (BSR), inventories at the end of the quarter reached VNĐ11.94 trillion, an increase

of 15.3 per cent compared to the beginning of the year.

According to many analysts, the rising oil price is expected to help petrol producers and traders improve their profits thanks to low-priced inventories.

With demand recovering and gasoline prices increasing sharply, the revenue of most petrol production and trading enterprises increased sharply but profits were quite divergent. Profit margins mostly fell.

Binh Son Refinery (BSR) reported a 65 per cent increase in revenue to VNĐ34.78 trillion; profit after tax reached VNĐ2.3 trillion, up 23.7 per cent. Gross profit margins decreased from 9.7 per cent to 7.5 per cent.

PV OIL (OIL)'s revenue doubled from the same period last year to VNĐ23.29 trillion. Gross profit margins decreased from 6.6 per cent to 4.5 per cent and net profit increased only 54 per cent to VNĐ219 billion.

Petrolimex reported that first-quarter revenue increased 75 per cent to VNĐ67 trillion and profit after tax decreased by 65 per cent to VNĐ208 billion.

The group said demand recovered after production and business activities gradually returned to a normal pace. However, its Nghi Son Refinery and Petrochemical Factory was scheduled to cut production output to below 55-80 per cent. With the leading role in the distribution of petroleum in the domestic market, to ensure uninterrupted supply and timely response to domestic demand, the group has changed its import plan and sought immediate supply with high prices from other suppliers, reducing gross profit margins in the petroleum business.

7. Private firms eager to invest in expressways

Private investors are showing more interest in building expressways after a long thaw, with experts calling for greater support from the government and relevant localities.

Vietnam's biggest conglomerate Vingroup and largest private lender Techcombank have been given the green light to conduct a pre-feasibility study on the Gia Nghia - Chon Thanh expressway.

The consortium will have to submit its report by Aug. 31, according to the Ministry of Transport (MoT).

Once the report is appraised and approved, the MoT will start a bid to select investors for the expressway, with Vingroup-Techcombank able to participate in the process should they want to.

The expressway will stretch 212 kilometers with four-six lanes and a maximum speed of 80-100 kph. It will connect Central Highland Dak Nong and southern Binh Phuoc provinces.

Another consortium, led by Deo Ca Corporation, has proposed to invest in two expressway projects in the north, Dong Dang - Tra Linh and Huu Nghi - Lang Son.

It commits to raise VND2.7 trillion for the project.

The 115-kilometer Dong Dang - Tra Linh expressway will connect Lang Son and Cao Bang provinces, while the 43-kilometer Huu Nghi - Chi Lang will run from Lang Son to the border with China.

First-phase investment for the former is expected to be VND13.2 trillion, and for the latter, VND7.61 trillion. They have yet to attract investors, and have been delayed due to low traffic volume and shortage of capital.

In early May, the Civil Engineering Construction Corporation No. 6 (CIENCO 6), together with Coteccons Construction, Thuan Viet Construction & Investment, and Tan Thanh Holdings Investment, had notified the MoT about their interest in investing in the Bien Hoa - Vung Tau expressway.

The government has approved the project's pre-feasible report, with first-phase investment of VND17.83 trillion. However, it later proposed to shift the investment model from public-private partnership (PPP) to public investment.

The change would shorten the project's completion time to 2025 rather than 2026, as the bidding process under the PPP model would not finish until March 2024, the MoT said.

Tran Chung, chairman of the Vietnamese Association of Road Systems Investors, said it is a good sign that many private companies are seeking to invest in expressways.

Those projects were not able to attract private investors, as they only funded three out of eight expressways between 2017 and 2020.

The current PPP Law includes clarified rights and obligations pertaining to related parties, but there is a remaining bottleneck: the state's capital contribution needs to be lower than 50 percent of total investment.

Investors of projects in remote areas will be discouraged due to this regulation, he said. Those projects will have low traffic volume and a long payback period, so it is necessary for the government to raise financial aid toward these.

Investors are further concerned over the risk- and profit-sharing mechanism, with the government and localities required to commit to disbursing capital and clearing construction sites on schedule.

Corporate News

8. VJC: Vietjet, Boeing reach agreement on 200-aircraft contract

↑ 1.60%

Chairman of the National Assembly Vuong Dinh Hue has congratulated Vietjet Air and Boeing on their agreement on the restructuring and continuation of the contract to purchase 200 Boeing 737 aircraft, at the meeting with Boeing's Senior Vice President Michael Arthur.

The agreement was reached during Prime Minister Pham Minh Chinh's official visit to the US and United Nations for the ASEAN-US Special Summit held in Washington D.C.

Vietjet's contract with Boeing is one of the significant deals contributing to the countries' bilateral trade balance and has been forged through three US Presidencies with important strides following diplomatic and economic development milestones between the two countries in the recent years.

In 2016, Vietjet Air ordered 100 Boeing aircraft in the witness of US President Barack Obama during his visit to Vietnam. The deal gained global attention on the impressive innovation of Vietnam's economy as it was the first time a private airline entered such a huge order with Boeing.

The sides agreed to raise the total number of aircraft in the order to 200 three years later, under the witness of then US President Donald Trump during his trip to Hanoi.

Besides the aircraft order, Vietjet also signed the long-term engine support with CFM International,

the joint venture of General Electric, including engine supply and technical services. The huge aircraft order attracted attention not only for tens-of-billion-US-dollar value scale but also for its progressive meaning to the two companies and the two economies.

This year, Vietjet and Boeing have agreed on the continuation of the agreement after a hiatus due to unexpected events with the Boeing 737 Max and the COVID-19 pandemic. Accordingly, Vietjet will receive Boeing's new generation of 737 aircraft with the new delivery schedule in line with the Vietnamese airline's development and business strategy.

With the direction to become a global airline since its establishment, Vietjet not only provides flying opportunities for millions of people who have never boarded a flight, but also contributes to the development of the local economy, promoting changes in the world economy, new management policies and service providers to improve operating standards in Vietnam. Vietjet's order is expected to bring 200,000 jobs to the US labour market, worth 35 billion USD, including 24.2 billion USD worth of aircraft orders and 10.8 billion USD worth of engine engineering services. The achieved results not only boost growth for Vietnam's aviation industry and economy, but also attract more domestic and foreign investors, including large corporations such as Boeing and also the US economy, the largest economy in the world.

9. SSB: SeABank plans to increase capital to VNĐ20.4 trillion in 2022

↑ 1.02%

Southeast Asia Commercial Joint Stock Bank (SeABank/SSB) plans to increase charter capital from VNĐ16.6 trillion (US\$715.6 million) to VNĐ20.4 trillion in the second and third quarters of this year.

Under the plan, in Q2 and Q3, SeABank plans to issue 211,400,000 shares, equivalent to 12.7 per cent to pay 2021 dividend, issuing 109,700,000 shares, equivalent to the rate of 6.6 per cent, to increase capital from equity sources (bonus shares). At the same time, SeABank will issue

59,400,000 shares under the Employee Selection Program (ESOP) in 2022.

After completing the issuances, SeABank will continue its plan to increase charter capital from VNĐ20.4 trillion to VNĐ22.7 trillion through private placement to strategic domestic and foreign investors, or offering to the public and to existing shareholders 228,700,000 shares, equivalent to 13.78 per cent of current charter capital. The form of the offering will be decided specifically at the time of implementation. By the end of 2022, SeABank will complete the increase of charter capital to VNĐ22.7 trillion.

The increase in charter capital is an important milestone in SeABank's plan and orientation, helping the bank to exploit enough potential to achieve the goals of implementing a digital transformation strategy, technology development in credit activities, payments, customer services, diversify products and services, thereby enhancing operation efficiency, and bettering the experience of every customer.

Previously, Moody's upgraded the SeABank's Baseline Credit Assessment (BCA) from B2 to B1 and maintained SeABank's long-term deposit and issuer ratings at B1 for the fourth year in a row with a positive outlook.

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